



ALAMEDA COUNTY  
CONGESTION MANAGEMENT AGENCY

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*Agenda Item 4.3  
January 12, 2009*

**Memorandum**

**DATE:** December 17, 2008  
**TO:** Administration & Legislation Committee  
**FROM:** Dick Swanson, Director of Finance and Administration  
**SUBJECT: Audit Services Procurement Policy**

**Action Requested:**

It is recommended that the Board revise the adopted Administrative Services Procurement Policy to treat financial auditing services in the same manner as all other administrative services. The current Administrative Services Procurement Policy, which was adopted on April 26, 2007, requires a mandatory rotation for these services. In light of the GFOA recommendation against mandatory rotations for audit services, staff believes a mandatory formal bidding process, as with other administrative services, would better serve the Agency.

**Discussion:**

On April 26, 2007, the Board adopted the Administrative Services Procurement Policy which limited all contracts for state and federal legislative advocates, computer services, audit and legal counsel services to five years that exceed \$50,000 over the five year period. The Policy further stated that a "formal bidding process including advertising, submission of a proposal, and an interview" be required for procuring these services beyond the five year period. However, the Policy made an exception for financial audit services by also stipulating that "incumbent auditors are not eligible to re-bid".

The Government Finance Officers Association's (GFOA) recommended practice for procuring the services of independent auditor's includes two elements. They are

- 1) Multiyear agreements of at least five years in duration, and
- 2) The initiation of a "full-scale competitive process" for the selection of independent auditors at the end of the term of each audit contract.

The GFOA further states that a policy of mandatory auditor rotation is often "counterproductive" due to start-up costs of new auditors, declining competition among audit firms fully capable of performing public sector audits, and disruption of continuity.

Staff fully concurs with the GFOA findings and recommendations and believes the Administrative Services Procurement Policy should be revised to conform to the GFOA recommendations.

**Financial Impact to the CMA Budget**

There are no financial implications of the recommended action to the FY 08/09 CMA budget.